# Businesses urged to embrace context and control in managing risks from US tariffs



The introduction of tariffs imposed by the United States has instigated a period of significant volatility and uncertainty in global trade, compelling businesses across industries and regions to reassess their strategies. According to a detailed analysis by Forrester, this period of on-again/off-again trade tensions demands business and technology leaders adopt a risk management mindset that emphasises control and context.

The core principle highlighted is that risk management, particularly in such volatile times, is not about eliminating all risks but identifying which risks are worth embracing and at what cost to achieve strategic goals. Forrester underscores two key mantras for an effective approach: focusing on context and maintaining control over risk responses.

In practical terms, context varies by industry. For example, pharmaceutical, airline, and automotive companies face stringent safety and quality standards that limit their ability to rapidly switch suppliers in response to tariffs. This complexity necessitates a cautious approach to avoid compromising safety or product quality.

Control is equally critical. Given the unpredictability surrounding US tariff policies, attempting to precisely predict political developments is not a stable basis for risk strategy. Instead, businesses are urged to continuously align their risk management with evolving business strategies. This may involve downsizing less profitable product lines, retreating from complex global markets, or diversifying offerings to seize new opportunities. Risk leaders are advised to adopt continuous risk management practices to ensure companies take appropriate risks to drive value.

Forrester introduces the "Three E’s" framework to help manage risks linked to tariff-induced disruptions. This involves categorising risks into those directly controlled by the enterprise, risks within the broader ecosystem with partial control, and systemic external risks beyond control. By identifying controllable levers—such as sourcing alternative suppliers, adopting cost management measures, or adjusting pricing strategies—organisations can better mitigate tariff-related risks.

Furthermore, Forrester stresses the importance of enhancing risk intelligence capabilities. Drawing parallels with first responders and emergency services, risk professionals should develop strategic risk intelligence tools that facilitate swift identification of emerging threats and deliver timely, actionable guidance to decision-makers. This demands quality data sources as well as skilled personnel capable of synthesising complex information into practical recommendations under conditions of uncertainty.

The analysis also highlights the need to scrutinise changes through a data risk perspective. Adjustments such as changing suppliers or relocating operations can introduce new data risks, including potential spyware in IT equipment or compliance challenges if data flows are disrupted by geographic shifts. These risks must be thoroughly evaluated to avoid regulatory or contractual breaches.

While cost pressures prompted by tariffs may push companies toward cutting corners in safety and quality controls, Forrester emphasises that non-negotiable standards must be upheld. Industries with strict safety requirements, including pharmaceuticals and construction, need to maintain quality standards even if this entails higher costs. Risk leaders have a critical role in advocating for these essential outcomes during sourcing and supply chain decisions.

Although US tariffs currently target goods rather than services, Forrester warns that service sectors are nonetheless affected. Retaliatory measures by countries such as China include tariffs on service exports in response to US goods tariffs. This places industries like financial services, healthcare, and technology services under increasing pressure. Risk managers are advised to incorporate services into their risk intelligence and scenario planning, anticipating further service-sector impacts if tariffs persist.

Moreover, tariffs on goods can indirectly depress revenue from related services, for instance logistics, maintenance, or consulting associated with tangible products. For companies like Apple and European automobile manufacturers, service revenues constitute a significant component of their business models. Risk strategies must therefore account for potential declines in service income alongside tariff-related disruptions in goods and supply chains.

In summary, the Forrester analysis underscores that the current US tariff environment creates a complex, multi-faceted risk landscape. Companies are encouraged to adopt a dynamic, context-aware risk management approach prioritising controllable elements, enhancing risk intelligence capabilities, carefully managing data risks, preserving essential quality and safety standards, and incorporating both goods and services considerations into their strategic planning. These measures aim to enable businesses to navigate the ongoing volatility with resilience and informed decision-making.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

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